

IC 28-7

ARTICLE 7. SPECIALIZED FINANCIAL INSTITUTIONS

IC 28-7-1

Chapter 1. Credit Unions

IC 28-7-1-0.5

Definitions

Sec. 0.5. The following definitions apply throughout this chapter:

(1) "Automated teller machine" (ATM) means a piece of unmanned electronic or mechanical equipment that performs routine financial transactions for authorized individuals.

(2) "Branch office" means an office, agency, or other place of business at which deposits are received, share drafts are paid, or money is lent to members of a credit union. The term does not include:

- (A) the principal office of a credit union;
- (B) the principal office of a credit union affiliate;
- (C) a branch office of a credit union affiliate;
- (D) an automated teller machine; or
- (E) a night depository.

(3) "Credit union" is a cooperative, nonprofit association, incorporated under this chapter, for the purposes of educating its members in the concepts of thrift and to encourage savings among its members. A credit union should provide a source of credit at a fair and reasonable rate of interest and provide an opportunity for its members to use and control their own money in order to improve their economic and social condition.

(4) "Department" refers to the department of financial institutions.

(5) "Surplus" means the credit balance of undivided earnings after losses. The term does not include statutory reserves.

(6) "Unimpaired shares" means paid in shares less any losses for which no reserve exists and for which there is no charge against undivided earnings.

(7) "Related credit union service organization" means, in reference to a credit union, a credit union service organization in which the credit union has invested under section 9(4)(J) of this chapter.

(8) "Premises" means any office, branch office, suboffice, service center, parking lot, real estate, or other facility where the credit union transacts or will transact business.

(9) "Furniture, fixtures, and equipment" means office furnishings, office machines, computer hardware, computer software, automated terminals, and heating and cooling equipment.

(10) "Fixed assets" means:

- (A) premises; and

- (B) furniture, fixtures, and equipment.
- (11) "Audit period" means a twelve (12) month period designated by the board of directors of a credit union.
- (12) "Community" means:
 - (A) a second class city;
 - (B) a third class city;
 - (C) a town;
 - (D) a county other than a county containing a consolidated city;
 - (E) a census tract;
 - (F) a township; or
 - (G) any other municipal corporation (as defined in IC 36-1-2-10).

As added by Acts 1977, P.L.294, SEC.1. Amended by P.L.263-1995, SEC.1; P.L.188-1997, SEC.9; P.L.192-1997, SEC.16; P.L.11-1998, SEC.15; P.L.53-2002, SEC.1.

IC 28-7-1-1

Persons authorized to organize; application; articles of incorporation

Sec. 1. (a) Any seven (7) persons who are residents of Indiana, of legal age, and representing not less than five hundred (500) persons who belong to one (1) or more qualified groups (as defined in section 10 of this chapter) may apply to the department for permission to organize a credit union, by signing and acknowledging, in triplicate, articles of incorporation.

(b) Those persons desiring to organize a credit union under this chapter shall make application on forms prescribed by the director. The articles shall state:

- (1) the name of the credit union;
- (2) the address of the credit union's principal office;
- (3) the purpose for which it is formed;
- (4) qualification for membership in the credit union;
- (5) the par value of the shares;
- (6) the maximum number of directors;
- (7) the name, address, and term of office of each member of the first board of directors;
- (8) the name and address of each of the incorporators and the number of shares subscribed to by each; and
- (9) any other provisions for the regulation of the affairs of the corporation.

(c) The application shall be signed by all incorporators before a notary public.

(d) The department shall make a careful investigation of:

- (1) the character and management qualifications of the proposed directors and officers; and
- (2) the economic feasibility of the proposed credit union service.

(e) The application shall be processed as follows:

- (1) The applicant shall give notice of its application in

accordance with IC 28-11-5.

(2) If exceptions to the application are filed with the department, a public hearing on the application may be scheduled and held in accordance with IC 28-11-5-7.

(3) If no exceptions to the application are filed, the department shall approve or deny the application within one hundred twenty (120) days.

(f) If the proposed credit union is approved, triplicate copies of the articles of incorporation shall be filed with the secretary of state. The secretary of state shall file one (1) copy of the articles and shall issue a certificate of incorporation to the incorporators. The certificate of incorporation, together with two (2) copies of the articles, shall be returned to the incorporators.

(g) The articles shall be filed with the recorder of the county in which the credit union is to be located.

(Formerly: Acts 1961, c.182, s.1; Acts 1974, P.L.130, SEC.1.) As amended by Acts 1977, P.L.294, SEC.2; P.L.270-1983, SEC.1; P.L.52-1985, SEC.6; P.L.14-1992, SEC.121; P.L.228-1993, SEC.1; P.L.42-1993, SEC.73; P.L.263-1995, SEC.2.

IC 28-7-1-2 Repealed

(Repealed by Acts 1977, P.L.294, SEC.14.)

IC 28-7-1-3

Bylaws; requirement to commence business; form

Sec. 3. A credit union may not commence business until it submits a completed set of bylaws to the department. The department shall have a form of bylaws prepared, consistent with this chapter, which shall be used by credit union incorporators. Bylaws shall be available to persons desiring to organize a credit union.

(Formerly: Acts 1961, c.182, s.3.) As amended by Acts 1977, P.L.294, SEC.3; P.L.263-1995, SEC.3.

IC 28-7-1-4

Bylaws; contents

Sec. 4. (a) The bylaws, as provided in section 3 of this chapter, with acknowledgment of their adoption by the incorporators or board of directors, must provide at least the following:

(1) That the board of directors shall annually establish a date for the annual meeting. The bylaws shall prescribe the manner of notifying the members of meetings, the manner of conducting the meetings, and the number of members constituting a quorum, which shall in no case be less than fifteen (15) members.

(2) The number of directors of the corporation, which shall not be less than five (5), all of whom shall be members.

(3) The powers and duties of the directors.

(4) The duties of the officers who are elected by the board of directors.

(5) The number of members of the supervisory committee,

which shall not be less than three (3), together with their respective powers and duties.

(6) The terms under which shares may be issued, transferred, and withdrawn and loans may be made and repaid.

(7) Any other provisions consistent with this chapter.

(b) The bylaws must prescribe procedures which ensure that all credit union members have an opportunity to vote, either in person or by absentee ballot, at any meeting of the shareholders. A member may not vote by proxy. A member, other than a natural person, may vote through an agent designated for that purpose. An agent may not represent more than one (1) entity.

(c) This section does not prevent a credit union from having more restrictive provisions in its bylaws than are required by this chapter. *(Formerly: Acts 1961, c.182, s.4; Acts 1969, c.133, s.1.) As amended by Acts 1977, P.L.294, SEC.4; P.L.270-1983, SEC.2; P.L.52-1985, SEC.7; P.L.171-1986, SEC.1; P.L.263-1995, SEC.4.*

IC 28-7-1-5

Repealed

(Repealed by Acts 1977, P.L.294, SEC.14.)

IC 28-7-1-6

Repealed

(Repealed by Acts 1977, P.L.294, SEC.14.)

IC 28-7-1-7

Amendment of articles

Sec. 7. (a) A credit union may amend its articles of incorporation. An amendment shall be proposed by the board of directors by the adoption of a resolution setting forth the proposed amendment and directing that it be submitted to a vote of the shareholders upon approval by the department. If the resolution is to be proposed at the annual meeting, notice of the proposal shall be included in the notice of the annual meeting. If the resolution is to be proposed at a special meeting, the special meeting shall be called by the resolution proposing the amendment, and notice of the meeting shall be given to each member of the credit union not less than five (5) days before the meeting. The notice must state the purpose of the meeting and contain the subject of the proposed amendment.

(b) The proposed amendment shall be adopted upon receiving the affirmative votes of at least three-fourths (3/4) of the shareholders present at the meeting.

(c) Upon the adoption of an amendment to the articles of incorporation, articles of amendment shall be executed and filed in the following manner:

(1) The articles of amendment shall be prepared and signed in triplicate by the president and secretary of the credit union. The department may approve them in the manner provided in IC 28-12-5.

(2) The amendment, if approved by the department, shall be

filed with the secretary of state. The secretary of state shall keep one (1) copy of the articles in his office and shall issue a certificate of amendment to the credit union. The secretary of state shall return the certificate of amendment with a copy of the articles of amendment to the credit union and file the other copy of the articles with the department. A credit union shall not exercise any power, right, or authority conferred by an amendment until a copy of the articles has been filed with the recorder of the county in which the credit union is located.

(Formerly: Acts 1961, c.182, s.7.) As amended by Acts 1977, P.L.294, SEC.5; P.L.14-1992, SEC.122; P.L.263-1995, SEC.5.

IC 28-7-1-8

Unauthorized use of name "credit union"; violations

Sec. 8. The use of any name or title which contains the words "credit union" is unlawful unless the name is used by:

- (1) a corporation authorized to use the words "credit union" under Indiana or United States law; or
- (2) the Indiana Credit Union League, Inc., and its affiliates.

(Formerly: Acts 1961, c.182, s.8.) As amended by Acts 1978, P.L.2, SEC.2820; P.L.52-1985, SEC.8; P.L.263-1995, SEC.6.

IC 28-7-1-9

Powers

Sec. 9. A credit union has the following powers:

- (1) To issue shares of its capital stock to its members. No commission or compensation shall be paid for securing members or for the sale of shares.
- (2) To make loans to members or other credit unions. A loan to another credit union may not exceed twenty percent (20%) of the paid-in capital and surplus of the credit union making the loan.
- (3) To make loans to officers, directors, or committee members, but only if:
 - (A) the loan complies with all requirements under this chapter with respect to loans to other borrowers and is not on terms more favorable than those extended to other borrowers;
 - (B) upon the making of the loan, the aggregate amount of loans outstanding under this subdivision will not exceed twenty percent (20%) of the unimpaired capital and surplus of the credit union;
 - (C) the loan is approved by the credit committee or loan officer; and
 - (D) the borrower takes no part in the consideration of or vote on the application.
- (4) To invest in any of the following:
 - (A) Bonds, notes, or certificates that are the direct or indirect obligations of the United States, or of the state, or the direct obligations of a county, township, city, town, or other taxing

district or municipality or instrumentality of Indiana and that are not in default.

(B) Bonds or debentures issued by the Federal Home Loan Bank Act (12 U.S.C. 1421 through 1449) or the Home Owners' Loan Act (12 U.S.C. 1461 through 1468).

(C) Interest-bearing obligations of the FSLIC Resolution Fund and obligations of national mortgage associations issued under the authority of the National Housing Act.

(D) Mortgages on real estate situated in Indiana which are fully insured under Title 2 of the National Housing Act (12 U.S.C. 1707 through 1715z).

(E) Obligations issued by farm credit banks and banks for cooperatives under the Farm Credit Act of 1971 (12 U.S.C. 2001 through 2279aa-14).

(F) In savings and loan associations, other credit unions that are insured under IC 28-7-1-31.5 and certificates of indebtedness or investment of an industrial loan and investment company if the association or company is federally insured. Not more than twenty percent (20%) of the assets of a credit union may be invested in the shares or certificates of an association or company; nor more than forty percent (40%) in all such associations and companies.

(G) Corporate credit unions.

(H) Federal funds or similar types of daily funds transactions with other financial institutions.

(I) Mutual funds created and controlled by credit unions, credit union associations, or their subsidiaries. Mutual funds referred to in this clause may invest only in instruments that are approved for credit union purchase under this chapter.

(J) Shares, stocks, or obligations of any credit union service organization (as defined in Section 712 of the Rules and Regulations of the National Credit Union Administration) with the approval of the department. Not more than five percent (5%) of the total paid in and unimpaired capital of the credit union may be invested under this clause.

(5) To deposit its funds into:

(A) depository institutions that are federally insured; or

(B) state chartered credit unions that are privately insured by an insurer approved by the department.

(6) To purchase, hold, own, or convey real estate as may be conveyed to the credit union in satisfaction of debts previously contracted or in exchange for real estate conveyed to the credit union.

(7) To own, hold, or convey real estate as may be purchased by the credit union upon judgment in its favor or decrees of foreclosure upon mortgages.

(8) To issue shares of stock and upon the terms, conditions, limitations, and restrictions and with the relative rights as may be stated in the bylaws of the credit union, but no stock may have preference or priority over the other to share in the assets

of the credit union upon liquidation or dissolution or for the payment of dividends except as to the amount of the dividends and the time for the payment of the dividends as provided in the bylaws.

(9) To charge the member's share account for the actual cost of necessary locator service when the member has failed to keep the credit union informed about the member's current address. The charge shall be made only for amounts paid to a person or concern normally engaged in providing such service, and shall be made against the account or accounts of any one (1) member not more than once in any twelve (12) month period.

(10) To transfer to an accounts payable, a dormant account, or a special account share accounts which have been inactive, except for dividend credits, for a period of two (2) years. The credit union shall not consider the payment of dividends on the transferred account.

(11) To invest in fixed assets with the funds of the credit union. An investment in fixed assets in excess of five percent (5%) of its assets is subject to the approval of the department.

(12) To establish branch offices, upon approval of the department, provided that all books of account shall be maintained at the principal office.

(13) To pay an interest refund on loans proportionate to the interest paid during the dividend period by borrowers who are members at the end of the dividend period.

(14) To purchase life savings and loan protection insurance for the benefit of the credit union and its members, if:

(A) the coverage is placed with an insurance company licensed to do business in Indiana; and

(B) no officer, director, or employee of the credit union personally benefits, directly or indirectly, from the sale or purchase of the coverage.

(15) To sell and cash negotiable checks, travelers checks, and money orders for members.

(16) To purchase members' notes from any liquidating credit union, with written approval from the department, at prices agreed upon by the boards of directors of both the liquidating and the purchasing credit unions. However, the aggregate of the unpaid balances of all notes of liquidating credit unions purchased by any one (1) credit union shall not exceed ten percent (10%) of its unimpaired capital and surplus unless special written authorization has been granted by the department.

(17) To exercise such incidental powers necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

(18) To act as a custodian or trustee of any trust created or organized in the United States and forming part of a stock bonus, pension, or profit sharing plan which qualifies or qualified for specific tax treatment under Section 408(a) or

Section 401(d) of the Internal Revenue Code, if the funds of the trust are invested only in share accounts or insured certificates of the credit union.

(19) To issue shares of its capital stock or insured certificates to a trustee or custodian of a pension plan, profit sharing plan, or stock bonus plan which qualifies for specific tax treatment under Sections 401(d) or 408(a) of the Internal Revenue Code.

(20) A credit union may exercise any rights and privileges that are:

(A) granted to federal credit unions; but

(B) not authorized for credit unions under the Indiana Code (except for this section) or any rule adopted under the Indiana Code;

if the credit union complies with section 9.2 of this chapter.

(21) To sell, pledge, or discount any of its assets. However, a credit union may not pledge any of its assets as security for the safekeeping and prompt payment of any money deposited, except that a credit union may, for the safekeeping and prompt payment of money deposited, give security as authorized by federal law.

(22) To purchase assets of another credit union and to assume the liabilities of the selling credit union.

(23) To act as a fiscal agent of the United States and to receive deposits from nonmember units of the federal, state, or county governments, from political subdivisions, and from other credit unions upon which the credit union may pay varying interest rates at varying maturities subject to terms, rates, and conditions that are established by the board of directors. However, the total amount of public funds received from units of state and county governments and political subdivisions that a credit union may have on deposit may not exceed twenty percent (20%) of the total assets of that credit union, excluding those public funds.

(24) To join the National Credit Union Administration Central Liquidity Facility.

(25) To participate in community investment initiatives under the administration of organizations:

(A) exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; and

(B) located or conducting activities in communities in which the credit union does business.

Participation may be in the form of either charitable contributions or participation loans. In either case, disbursement of funds through the administering organization is not required to be limited to members of the credit union. Total contributions or participation loans may not exceed one tenth of one percent (0.001) of total assets of the credit union. A recipient of a contribution or loan is not considered qualified for credit union membership. A contribution or participation loan made under this subdivision must be approved by the board of directors.

(26) To establish and operate an automated teller machine

(ATM):

(A) at any location within Indiana; or

(B) as permitted by the laws of the state in which the automated teller machine is to be located.

(27) To demand and receive, for the faithful performance and discharge of services performed under the powers vested in the credit union by this article:

(A) reasonable compensation, or compensation as fixed by agreement of the parties;

(B) all advances necessarily paid out and expended in the discharge and performance of its duties; and

(C) unless otherwise agreed upon, interest at the legal rate on the advances referred to in clause (B).

(28) Subject to any restrictions the department may impose, to become the owner or lessor of personal property acquired upon the request and for the use of a member and to incur additional obligations as may be incident to becoming an owner or lessor of such property.

(Formerly: Acts 1961, c.182, s.9; Acts 1969, c.133, s.2; Acts 1974, P.L.130, SEC.2; Acts 1975, P.L.44, SEC.6.) As amended by Acts 1977, P.L.294, SEC.6; Acts 1979, P.L.267, SEC.1; Acts 1980, P.L.178, SEC.1; Acts 1982, P.L.170, SEC.1; P.L.270-1983, SEC.3; P.L.52-1985, SEC.9; P.L.2-1987, SEC.43; P.L.19-1987, SEC.45; P.L.8-1991, SEC.30; P.L.14-1992, SEC.123; P.L.228-1993, SEC.2; P.L.263-1995, SEC.7; P.L.188-1997, SEC.10; P.L.192-1997, SEC.17; P.L.11-1998, SEC.16; P.L.62-1999, SEC.5; P.L.63-2001, SEC.15, P.L.81-2001, SEC.4 and P.L.134-2001, SEC.17; P.L.258-2003, SEC.10; P.L.73-2004, SEC.36.

IC 28-7-1-9.1

Sale of life insurance policy or annuity contract; prohibitions

Sec. 9.1. (a) A credit union or a related credit union service organization (as defined in section 0.5(7) of this chapter) that acts as an insurance producer for the sale of a life insurance policy or an annuity contract issued by a life insurance company (as defined in IC 27-1-2-3):

(1) is subject to the requirements of IC 27; and

(2) must comply with the disclosure requirements of IC 27-1-38.

(b) A credit union or credit union service organization may not condition:

(1) an extension of credit;

(2) a lease or sale of real or personal property;

(3) the performance of a service; or

(4) the amount charged for:

(A) extending credit;

(B) leasing or selling real or personal property; or

(C) performing services;

upon a person's purchase of a life insurance policy or an annuity contract from the credit union or related credit union service

organization.

(c) This section does not prohibit a credit union or a credit union service organization from requiring that a person, as a condition to a transaction, obtain a life insurance policy from an insurance company acceptable to the credit union or credit union service organization.

As added by P.L.188-1997, SEC.11. Amended by P.L.63-2001, SEC.16, P.L.81-2001, SEC.5 and P.L.134-2001, SEC.18; P.L.130-2002, SEC.8; P.L.178-2003, SEC.93.

IC 28-7-1-9.2

Rights and privileges

Sec. 9.2. (a) As used in this section, "rights and privileges" means the power:

(1) to:

- (A) create;
- (B) deliver;
- (C) acquire; or
- (D) sell;

a product, a service, or an investment that is available to or offered by; or

(2) to engage in other activities authorized for;

federal credit unions domiciled in Indiana.

(b) A credit union that intends to exercise any rights and privileges that are:

- (1) granted to federal credit unions; but
- (2) not authorized for credit unions under the Indiana Code (except for this section) or any rule adopted under the Indiana Code;

shall submit a letter to the department describing in detail the requested rights and privileges granted to federal credit unions that the credit union intends to exercise. If available, copies of relevant federal law, regulations, and interpretive letters must be attached to the letter submitted by the credit union.

(c) The department shall promptly notify the requesting credit union of the department's receipt of the letter submitted under subsection (b). Except as provided in subsection (e), the credit union may exercise the requested rights and privileges sixty (60) days after the date on which the department receives the letter unless otherwise notified by the department.

(d) The department, through its members, may prohibit the credit union from exercising the requested rights and privileges only if the members find that:

- (1) federal credit unions domiciled in Indiana do not possess the requested rights and privileges; or
- (2) the exercise of the requested rights and privileges by the credit union would adversely affect the safety and soundness of the credit union.

(e) The sixty (60) day period referred to in subsection (c) may be extended by the department based on a determination that the credit

union's letter raised issues requiring additional information or additional time for analysis. If the sixty (60) day period is extended under this subsection, the credit union may exercise the requested rights and privileges only if the credit union receives prior written approval from the department. However:

(1) the members must:

(A) approve or deny the requested rights and privileges; or

(B) convene a hearing;

not later than sixty (60) days after the department receives the credit union's letter; and

(2) if a hearing is convened, the members must approve or deny the requested rights and privileges not later than sixty (60) days after the hearing is concluded.

(f) The exercise of rights and privileges by a credit union in compliance with and in the manner authorized by this section is not a violation of any provision of the Indiana Code or rules adopted under IC 4-22-2.

(g) Whenever, in compliance with this section, a credit union exercises rights and privileges granted to federal credit unions domiciled in Indiana, all credit unions may exercise the same rights and privileges if the department by order determines that the exercise of the rights and privileges by all credit unions would not adversely affect their safety and soundness.

(h) If the department denies the request of a credit union under this section to exercise any rights and privileges that are granted to federal credit unions, the credit union may appeal the decision of the department to the circuit court with jurisdiction in the county in which the principal office of the credit union is located. In an appeal under this section, the court shall determine the matter de novo.

As added by P.L.63-2001, SEC.17, P.L.81-2001, SEC.6 and P.L.134-2001, SEC.19. Amended by P.L.73-2004, SEC.37.

IC 28-7-1-10

Membership; identification; qualified groups

Sec. 10. (a) The membership of credit unions shall be clearly and specifically identified. The membership of a credit union shall be limited to one (1) or more qualified groups of persons, immediate family members of the persons in the qualified group or groups, and organizations of those persons. For purposes of this section, a qualified group consists of:

(1) persons having a common bond of occupation, trade, or professional association;

(2) members of a labor organization;

(3) members of a church;

(4) persons engaged in a common trade or profession within a well defined geographical location;

(5) employees of the credit union;

(6) persons who are members of a farm bureau cooperative, or other farm bureau organization, and who have subscribed to one

(1) or more shares; or

(7) persons who reside or are employed within a community.

(b) A credit union may expand its membership with an additional qualified group or groups upon prior approval of the department.

(Formerly: Acts 1961, c.182, s.10; Acts 1974, P.L.130, SEC.3.) As amended by Acts 1982, P.L.170, SEC.2; P.L.271-1983, SEC.1; P.L.52-1985, SEC.10; P.L.14-1992, SEC.124; P.L.263-1995, SEC.8; P.L.53-2002, SEC.2.

IC 28-7-1-11

Supervision; reports of conditions; civil penalty for failure to report

Sec. 11. Each credit union shall make a call report of its condition to the department, at least semiannually, on or before January 31 and July 31 of each year, on forms approved by the director. Reports in addition to the regular reports may be required. A credit union that fails to comply with this section may be required by the department to pay a civil penalty of one hundred dollars (\$100) for each day of noncompliance. Money paid under this section as determined by the department shall be deposited into the financial institutions fund established by IC 28-11-2-9. Except as specified in IC 28-11-3-3 concerning individual depositors, any information contained in call reports made by credit unions to the department must be made available to any person upon request.

(Formerly: Acts 1961, c.182, s.11.) As amended by Acts 1982, P.L.170, SEC.3; P.L.33-1991, SEC.54; P.L.228-1993, SEC.3; P.L.263-1995, SEC.9.

IC 28-7-1-12

Examinations; recognition of CPA audit

Sec. 12. Every credit union shall be subject to examination by the department. A credit union shall be examined by the department as often as the department shall deem necessary. The department shall at all times be given free access to all of the books, papers, securities, and other sources of information in respect to any such credit union. The director, the members of the department, and the supervisor in charge of the division shall have the power to subpoena documents and examine witnesses under oath pertaining to the business of the credit union. The department may accept an audit by a certified public accountant and govern its examination procedures and examination fees accordingly. At the close of each examination, a conference shall be conducted to disclose to the board of directors the findings of the examination.

(Formerly: Acts 1961, c.182, s.12.) As amended by P.L.263-1995, SEC.10.

IC 28-7-1-13

Repealed

(Repealed by P.L.263-1995, SEC.31.)

IC 28-7-1-14

Fiscal year; membership meetings; voting rights

Sec. 14. A credit union fiscal year shall end at the close of business on the thirty-first day of December. Special meetings of the members of any credit union may be convened by order of the board of directors or the supervisory committee, or by a petition of at least ten per cent (10%) of the members. A member shall have one (1) vote. The members may decide on any matter concerning the credit union. The members may overrule the directors, and, by a three-fourths (3/4) vote of those present, may amend the bylaws if the notice of the meeting stated the proposed amendment.

(Formerly: Acts 1961, c.182, s.14.) As amended by P.L.263-1995, SEC.11.

IC 28-7-1-15**Selection of board of directors, supervisory committee, and credit committee**

Sec. 15. (a) At the annual meeting, the members shall elect a board of directors and a supervisory committee.

(b) The bylaws:

- (1) may provide for a credit committee; and
- (2) if a credit committee is provided for, must state whether the credit committee is to be elected by the members or appointed by the board of directors.

(c) The credit committee must consist of not fewer than three (3) nor more than seven (7) members. A director may not be a member of either the credit committee or the supervisory committee.

(d) Each member of the board and each member of the credit committee or the supervisory committee shall take an oath. The length of the term of a member of the board or of the credit committee or the supervisory committee must be set forth in the bylaws.

(Formerly: Acts 1961, c.182, s.15.) As amended by Acts 1977, P.L.294, SEC.7; P.L.270-1983, SEC.4; P.L.263-1995, SEC.12.

IC 28-7-1-16**Board of directors; selection of officers; general management; duties**

Sec. 16. (a) Not more than thirty (30) business days after the conclusion of the annual meeting, the board of directors shall elect from its own members:

- (1) a chairperson;
- (2) a vice chairperson or vice chairpersons;
- (3) a secretary; and
- (4) a treasurer.

(b) The board may appoint officers of the credit union.

(c) The office of secretary and treasurer may be held by the same person. The board may appoint:

- (1) an assistant secretary;
- (2) an assistant treasurer; or
- (3) both an assistant secretary and an assistant treasurer.

(d) The board of directors shall have the general management of the affairs, funds, and records of the credit union and shall meet at least monthly.

(e) The board may appoint an executive committee to exercise authority delegated to it by the board. All actions taken by the executive committee shall be subject to ratification by the board.

(f) Unless the bylaws provide otherwise, it is the duty of the directors to do the following:

(1) To act upon all applications for membership unless the board has appointed a membership officer. The board shall receive the report of the membership officer monthly and shall act upon all those applications for membership not approved by the membership officer.

(2) To determine rates of interest on loans.

(3) To determine:

(A) the maximum number of shares which may be held by a member; and

(B) the maximum amount which may be loaned to a member.

(4) To declare dividends.

(5) To amend the bylaws, provided that the qualifications for membership in the credit union are principally defined in the articles of incorporation.

(6) To fill vacancies on the board and the credit committee until the next election.

(7) To invest the funds of the credit union or to delegate the authority for investments to an executive committee or manager. However, the board of directors shall review all investments made by the executive committee or manager at least monthly.

(8) To set the compensation of members of the board, credit committee, or supervisory committee.

(g) The board may appoint loan officers. Each loan officer shall furnish to the credit committee or to the board a record of each loan approved or denied at its next meeting. A loan officer, including the treasurer or assistant treasurer, shall not have authority to disburse funds of the credit union for any loan which has been approved by the loan officer. Not more than one (1) member of the credit committee may be appointed as loan officer.

(Formerly: Acts 1961, c.182, s.16; Acts 1969, c.133, s.3; Acts 1974, P.L.130, SEC.4.) As amended by Acts 1977, P.L.294, SEC.8; P.L.270-1983, SEC.5; P.L.228-1993, SEC.4; P.L.263-1995, SEC.13; P.L.62-1999, SEC.6.

IC 28-7-1-17

Loans; application procedure; terms and conditions; participating loans; taking indemnifying or second mortgage on real estate

Sec. 17. (a) Every loan application shall be submitted on a form approved by the board of directors. When making an application, a member shall state the security offered. Loans may be dispersed

upon written approval by a majority of the credit committee or a loan officer. If the credit committee or loan officer fails to approve an application for a loan, the applicant may appeal to the board of directors, providing such appeal is authorized by the bylaws.

(b) Loans to members may be made only under the following terms and conditions:

(1) All loans shall be evidenced by notes signed by the borrowing member. A loan shall not be made to a member if it would cause the member to become indebted to the credit union in an aggregate amount in excess of ten percent (10%) of the total unimpaired shares and surplus.

(2) Unsecured loans shall not exceed five percent (5%) of the current assets of the credit union. The board of directors shall establish written lending policies and maintain such policies on file in the credit union. For the purposes of this section, an assignment of shares or the endorsement of a note is considered security.

(3) Except as otherwise provided in this section, the terms of any loan to a member with a maturity of more than six (6) months shall provide for principal and interest payments that will amortize the obligation in full within the terms of the loan contract. If the income of the borrowing member is seasonal, the terms of the loan contract may provide for seasonal amortization.

(4) Loans may be made upon the security of improved or unimproved real estate. Except as otherwise specified in this section, such loans must be secured by a first lien upon real estate prior to all other liens, except for taxes and assessments not delinquent, and may be made with repayment terms other than as provided in subdivision (3). When the amount of a loan is at least two hundred fifty thousand dollars (\$250,000), the fair cash value of real estate security shall be determined by a written appraisal made by one (1) or more qualified state licensed or certified appraisers designated by the board of directors. The credit union loan folder for real estate mortgage loans shall include, when applicable:

(A) the loan application;

(B) the mortgage instrument;

(C) the note;

(D) the disclosure statement;

(E) the documentations of property insurance;

(F) an appraisal on the real estate for which the loan is made; and

(G) the attorney's opinion of titles or a certificate of title insurance on the real estate upon which the mortgage loan is made.

(5) The total unpaid balance of all loans authorized by this subdivision shall, at no time, exceed thirty-three and one-third percent (33 1/3%) of the total assets of the credit union at the time the loans are granted. This section does not limit unpaid

balances secured by adjustable rate mortgages or loans with a remaining maturity of five (5) years or less. Loans made upon security of real estate are subject to the following restrictions:

(A) Real estate loans in which no principal amortization is required shall provide for the payment of interest at least annually and shall mature within five (5) years of the date of the loan unless extended and shall not exceed fifty percent (50%) of the fair cash value of the real estate used as security.

(B) Real estate loans on improved real estate, except for variable rate mortgage loans and rollover mortgage loans provided for in subdivision (6), shall require substantially equal payments at successive intervals of not more than one (1) year, shall mature within thirty (30) years, and shall not exceed ninety percent (90%) of the fair cash value of the real estate used as security, unless the excess of any loan over the authorized percentage of fair cash value is guaranteed or insured by a government agency or a private insurer authorized to engage in such business in Indiana.

(C) Real estate loans on unimproved real estate may be made. The terms of the loan shall:

- (i) require substantially equal payments of interest and principal at successive intervals of one (1) year or less;
- (ii) mature within ten (10) years; and
- (iii) not exceed eighty-five percent (85%) of the fair cash value of the real estate used as security.

(D) Loans primarily secured by a mortgage which constitutes a second lien on improved real estate may be made only if the aggregate amount of all loans on the real estate does not exceed one hundred percent (100%) of the fair cash value of the real estate after such loan is made. Repayment terms shall be in accordance with subdivision (3).

(E) Real estate loans may be made for the construction of improvements to real property. Funds borrowed may be advanced as work on the improvements progresses. Repayment terms must comply with subdivision (3).

(6) Subject to the limitations of subdivision (4), variable rate mortgage loans and rollover mortgage loans may be made under the same limitations and rights provided state chartered savings associations under IC 28-1-21.5 (before its repeal) or IC 28-15 or federal credit unions.

(7) A credit union may participate with other financial institutions in making loans to credit union members and may sell a participating interest in any of its loans. However, the credit union may not sell more than ninety percent (90%) of the principal of participating loans outstanding at the time of sale.

(c) Nothing in this section prevents any credit union from taking an indemnifying or second mortgage on real estate as additional security.

(Formerly: Acts 1961, c.182, s.17; Acts 1969, c.133, s.4; Acts 1974, P.L.130, SEC.5.) As amended by Acts 1977, P.L.294, SEC.9; Acts 1979, P.L.267, SEC.2; Acts 1980, P.L.176, SEC.9; Acts 1982, P.L.170, SEC.4; P.L.270-1983, SEC.6; P.L.166-1988, SEC.1; P.L.260-1989, SEC.1; P.L.14-1992, SEC.125; P.L.228-1993, SEC.5; P.L.263-1995, SEC.14; P.L.192-1997, SEC.18; P.L.11-1998, SEC.17; P.L.79-1998, SEC.80; P.L.62-1999, SEC.7; P.L.53-2002, SEC.3.

IC 28-7-1-17.5

Signature limits

Sec. 17.5. The credit committee or loan officer may approve a line of credit, which shall establish a signature limit. Advances in excess of the signature limit shall be permitted if security is pledged to guarantee that amount in excess of the signature limit. Advances may be granted to each member within the limits of such extension of credit. Where a line of credit has been approved, no additional loan application or statement of purpose is required, provided the aggregate unsecured obligation does not exceed the signature limit. *As added by Acts 1977, P.L.294, SEC.10. Amended by P.L.263-1995, SEC.15.*

IC 28-7-1-18

Duties of supervisory committee; professional outside audit

Sec. 18. (a) The supervisory committee shall cause the share and loan accounts of the members to be verified with the records of the treasurer at least each biennium.

(b) The supervisory committee shall supervise the acts of the board of directors, credit committee, and officers.

(c) By a majority vote, the supervisory committee may call a meeting of the shareholders to consider any violation of this chapter, or of the bylaws, or any practice of the credit union which, in the opinion of the committee is unsafe and unauthorized.

(d) The supervisory committee shall fill vacancies in its own number until the next annual meeting of the members.

(e) At the close of the audit period, the supervisory committee shall make or cause to be made a thorough audit of the credit union for each audit period and shall make a full report to the directors. The audit shall be made at any time during the one hundred twenty (120) days following the close of the audit period. Tapes, work papers, schedules, and evidence of verification of accounts shall be retained until the next examination by the department. A summary of the report shall be read at the annual meeting and shall be filed and preserved with the records of the credit union.

(f) A credit union with assets of at least ten million dollars (\$10,000,000) shall have an annual audit performed by an outside professional accounting firm. The department may require a professional outside audit to be performed upon any credit union when the department questions the safety and soundness of the credit union.

(Formerly: Acts 1961, c.182, s.18.) As amended by Acts 1979, P.L.267, SEC.3; P.L.14-1992, SEC.126; P.L.228-1993, SEC.6; P.L.263-1995, SEC.16; P.L.192-1997, SEC.19; P.L.11-1998, SEC.18.

IC 28-7-1-19

Capital; lien on shares; transfer of shares

Sec. 19. The capital of a credit union shall consist of the payments on shares which have been made to it by members. A credit union may attach a lien on the shares of any member with outstanding obligations to the credit union. A credit union may, upon the resignation of a member, cancel the shares of such member, and apply the withdrawal value of such shares towards the liquidation of the member's obligations. Fully paid up shares of a credit union may be transferred to any qualified member upon such terms as the bylaws provide.

(Formerly: Acts 1961, c.182, s.19; Acts 1969, c.133, s.5.) As amended by P.L.263-1995, SEC.17.

IC 28-7-1-20

Repealed

(Repealed by Acts 1976, P.L.123, SEC.3.)

IC 28-7-1-20.1

Issuance of shares; joint tenancy; misrepresenting age in obtaining loans

Sec. 20.1. Shares may be issued as the bylaws provide. The provisions of IC 28-1-20-6 apply to loans to any borrower and shall inure to the benefit of the credit union. Shares may be issued in a joint tenancy with right of survivorship, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless the tenant is a member.

As added by Acts 1977, P.L.294, SEC.11. Amended by P.L.263-1995, SEC.18.

IC 28-7-1-21

Repealed

(Repealed by Acts 1971, P.L.366, SEC.10.)

IC 28-7-1-22

Power to borrow

Sec. 22. A credit union may borrow from any source. The total borrowing of a credit union may not at any time exceed fifty per cent (50%) of the capital, surplus, and reserve fund of the credit union.

(Formerly: Acts 1961, c.182, s.22.) As amended by P.L.263-1995, SEC.19.

IC 28-7-1-23

Loans to members; purposes; repayment plans; direct deposit

Sec. 23. (a) A credit union may make loans to its members for

such purposes and upon such security as the bylaws provide, and as the credit committee or loan officer shall approve.

(b) A member may receive a loan for crops in installments.

(c) A borrower may repay the whole loan or any part of a loan on any day on which the credit union is open.

(d) A credit union may offer payroll deduction for:

(1) the repayment of loans; and

(2) deposits into the accounts of members.

(e) A credit union may offer direct deposit.

(Formerly: Acts 1961, c.182, s.23; Acts 1969, c.133, s.6; Acts 1974, P.L.130, SEC.6.) As amended by P.L.270-1983, SEC.7; P.L.263-1995, SEC.20.

IC 28-7-1-24

Entrance fees and charges; reserve income in regular reserve

Sec. 24. (a) All entrance charges shall, after payment of the organization expenses, be known as reserve income, and shall be added to the regular reserve of the credit union. At the close of the dividend period, there shall be set apart to the regular reserve ten percent (10%) of gross income until the regular reserve shall equal seven and one-half percent (7 1/2%) of the total of outstanding loans, then five percent (5%) of gross income until the regular reserve shall equal ten percent (10%) of the total of outstanding loans. Whenever the regular reserve falls below ten percent (10%) or seven and one-half percent (7 1/2%) of the total of outstanding loans, it shall be replenished by regular contributions to maintain the reserve goals of seven and one-half percent (7 1/2%) or ten percent (10%). The regular reserve shall be held to meet contingencies and shall not be distributed to the members except upon dissolution of the credit union.

(b) A credit union may have an undivided profits account. The undivided profits account may be transferred to the regular reserve or used for the payment of dividends or necessary operating expenses with board approval.

(c) The department may, by rule, revise the formula prescribed by this section. A revised formula must be prudent and must reasonably be expected to protect the credit unions.

(d) Financial statements of credit unions must provide for full and fair disclosure of all assets, liabilities, and members' equity, including such allowance for loan loss accounts necessary to present fairly the financial position, and all income and expenses necessary to present fairly the results of operation for the period concerned.

(e) The maintenance of an allowance for loan losses and investment or other losses does not exempt a credit union from the requirement set forth in subsection (a) or regulation CU-2. The totals of the regular reserve, the allowance for loan losses account, and the allowance for investment losses shall be combined for determining the percentage of gross income to be transferred to the regular reserve.

(f) Loan losses of a credit union must be charged against the

allowance for loan loss. Adjustments to the allowance for loan losses shall be made before the distribution of any dividend so that the allowance for loan loss represents the value of loans and anticipated losses resulting from:

- (1) uncollectible loans, notes, and contracts receivable, including any uncollectible accrued interest receivable thereon;
- (2) assets acquired in liquidation of loans; and
- (3) loans purchased from other credit unions.

(g) Adjustments to the allowance for loan losses must be recorded in the expense account "provision for loan losses".

(h) If the balance of the allowance for loan losses is considered to be in excess of the amount needed to meet the full and fair disclosure requirements, the excess amount must be transferred to the regular reserve account or deducted from the provision for loan loss expense account.

(Formerly: Acts 1961, c.182, s.24; Acts 1969, c.133, s.7; Acts 1974, P.L.130, SEC.7.) As amended by Acts 1977, P.L.294, SEC.12; P.L.164-1988, SEC.13; P.L.8-1991, SEC.31; P.L.1-1992, SEC.156; P.L.14-1992, SEC.127; P.L.228-1993, SEC.7; P.L.263-1995, SEC.21; P.L.192-1997, SEC.20.

IC 28-7-1-25

Dividends

Sec. 25. Dividends may be declared by the board of directors, after making provision for the required reserves. The board of directors may declare separate dividend periods and rates for each type of share account.

(Formerly: Acts 1961, c.182, s.25; Acts 1969, c.133, s.8; Acts 1974, P.L.130, SEC.8.) As amended by Acts 1979, P.L.267, SEC.4; P.L.263-1995, SEC.22.

IC 28-7-1-26

Withdrawal of shares; payment to withdrawing member; notice; acceptable funds restricted

Sec. 26. The shares of a withdrawing member shall be paid only as funds become available, after deducting any amounts due the credit union. A credit union may require sixty (60) days notice in writing for any withdrawal. The withdrawing member shall have no further right in the credit union or to any of its benefits. The withdrawal of a member does not relieve the member from any liability to the credit union. A credit union is not authorized to accept any money on deposit or in any other manner to accept money from persons or organizations eligible to membership therein except in payment for shares and as otherwise authorized in this chapter.

(Formerly: Acts 1961, c.182, s.26.) As amended by P.L.263-1985, SEC.179; P.L.263-1995, SEC.23.

IC 28-7-1-27

Repealed

(Repealed by Acts 1977, P.L.294, SEC.14.)

IC 28-7-1-27.1

Dissolution

Sec. 27.1. A credit union may liquidate its affairs and dissolve in the following manner:

- (1) The board of directors of a credit union may vote to submit the question of dissolution to the shareholders.
- (2) Upon the decision of the board of directors under subdivision (1), payments on shares, withdrawal of shares, and the granting of loans shall be immediately suspended, pending a vote by the shareholders on the question whether to dissolve.
- (3) The chairperson of the credit union shall, within ten (10) days after the decision of the board under subdivision (1), notify the department in writing of the reasons for the proposed dissolution. The notice must include a certified statement of condition of the credit union.
- (4) Upon receiving the notice of dissolution, the department shall conduct an examination of the credit union.
- (5) At either an annual meeting or a special meeting, the question of dissolution shall be approved or disapproved by the shareholders. If approved, such approval shall be evidenced by the written consent of no fewer than two-thirds (2/3) of the shareholders. Upon approval by the shareholders, payments on shares, withdrawal of shares, and granting of loans shall cease. If two-thirds (2/3) of the vote cannot be obtained, the director may permit the voluntary dissolution of the credit union to become effective without the affirmative vote of its membership if the credit union field of membership has ceased or will cease to exist.
- (6) If the department finds that the credit union is solvent or that it has sufficient assets with which to pay its shareholders and all liabilities, it may approve the dissolution of the credit union and shall notify the credit union in writing.
- (7) Upon receipt by the credit union of notice that the resolution for dissolution has been approved by the department, each member and creditor shall be notified by the credit union in writing that such credit union is in the process of dissolution. Notification to members shall include a request that such members verify, by passbook or in writing, shareholdings in or loan obligations to the credit union. Notification to creditors shall include a request that such creditors present claims to the credit union within ninety (90) days.
- (8) The credit union shall be responsible for conserving the assets of the credit union, expediting the liquidation, discharging all of the debts and liabilities of the credit union, and equitably distributing the assets to the shareholders at the completion of the liquidation. The board shall ensure that all persons handling or having access to the funds, books, or records of the credit union are adequately covered by a surety bond to the satisfaction of the department.
- (9) The board of directors shall forward to the department a

certified statement of condition of the credit union within ten (10) days after the close of each month.

(10) Within thirty (30) days after the date of final distribution of the assets of the credit union to the shareholders, the board of directors shall furnish to the department:

(A) a summary showing how the credit union debts and liabilities were paid;

(B) an itemized list of all credit union assets and property distributed to the shareholders, the name of each shareholder, the number and amount of shares held by each at the time of distribution of assets, the amount distributed to each, and the date of distribution; and

(C) the name and address of the custodian appointed by the board of directors, who shall preserve the records of the credit union for five (5) years from the date of final distribution of the assets.

(11) The department shall file with the secretary of state triplicate copies of the resolution for dissolution bearing the approval of the department as prescribed in IC 28-12-5. The secretary of state shall endorse each copy of the resolution, file one (1) copy of the resolution, and issue and return a certificate of dissolution to the credit union together with two (2) copies of the resolution for dissolution.

(12) The credit union shall file with the county recorder of the county in which the articles of incorporation were recorded one (1) copy of the resolution for dissolution bearing the endorsement of the secretary of state. After this filing, the credit union shall be dissolved and its existence shall cease.

(13) The credit union shall continue in its corporate capacity for three (3) years from the date of the resolution adopted by the board as provided in subdivision (1), for the purpose of:

(A) discharging its debts and obligations;

(B) collecting and distributing its assets; and

(C) doing all other acts required in order to terminate its business;

but for no other purpose.

As added by Acts 1977, P.L.294, SEC.13. Amended by P.L.14-1992, SEC.128; P.L.263-1995, SEC.24.

IC 28-7-1-28

Change of place of business

Sec. 28. A credit union may, with department approval, change its place of business. The department may deny the change of location if the new situs is undesirable or would detrimentally affect the operation of the credit union.

(Formerly: Acts 1961, c.182, s.28.) As amended by P.L.263-1995, SEC.25.

IC 28-7-1-29

Conversion from state to federal charter; procedure

Sec. 29. Any credit union organized or reorganized under the laws of Indiana or the United States may convert from a state charter to a federal charter or from a federal charter to a state charter as follows:

(1) A federally chartered credit union may apply for a state charter by observing the following procedures:

(A) The board of directors shall pass a resolution that the federal charter be canceled when and if a state charter is applied for and issued to the credit union by the department of financial institutions.

(B) Written notice of the resolution shall be sent to each member at least thirty (30) days prior to the meeting in which the resolution is to be submitted to the members.

(C) An affirmative majority vote of the members present at the meeting shall be required to effect the conversion from federal to state charter, provided a quorum is present at the meeting.

(D) Certified copies of the minutes of the proceedings of the meeting of the members shall be filed with both the National Credit Union Administration and the department.

(E) Within thirty (30) days after receiving the certified copies of the minutes, an examination of the financial condition of the credit union shall be made by the department. The cost of the examination shall be paid by the credit union.

(F) Within thirty (30) days after the completion of the examination, the department shall report to the credit union the results of its examination and supply the National Credit Union Administration with a copy of the examination report.

(G) If it receives a satisfactory report of the examination, the credit union must within thirty (30) days file its amended articles of incorporation and amended bylaws pursuant to this chapter with the secretary of state, and copies of the amended articles and amended bylaws must be directed to the department and the National Credit Union Administration.

(H) Officers, directors, and committee members shall retain their respective offices for the unexpired terms existing prior to the conversion, subject to the provisions of this chapter.

(I) The newly chartered credit union shall have all of the rights and privileges in and to all of the assets of the prior existing credit union and shall assume and be responsible for all of the obligations imposed while operating under the federal charter.

(2) A state chartered credit union may be converted into a federally chartered credit union by complying with the following requirements:

(A) The board must adopt and approve by a majority of the directors a resolution of conversion. The proposition for such conversion shall first be approved by a majority of the directors of the state credit union.

(B) The board must notify the membership either in person or by mail of the membership meeting at which the resolution of conversion will be acted upon. The notice must be mailed not more than thirty (30) and not less than seven (7) days before the meeting.

(C) The resolution must be approved by a majority of those voting, either in person or by absentee ballot, at the membership meeting called by the board.

(D) The results of the vote, verified by the affidavits of the chairperson or vice chairperson and the secretary, shall be filed with the department within ten (10) days after the vote is taken.

(E) If the proposition for conversion is approved, the credit union shall within ninety (90) days take the action necessary to make it a federal credit union. Within ten (10) days after receipt of the federal charter, the credit union shall file with the department a copy of the charter. Upon such filing, and after the credit union has notified the office of the secretary of state that the conversion is concluded, the credit union shall cease to be a state credit union.

(Formerly: Acts 1961, c.182, s.29.) As amended by P.L.263-1985, SEC.180; P.L.14-1992, SEC.129; P.L.263-1995, SEC.26.

IC 28-7-1-30

Repealed

(Repealed by P.L.263-1995, SEC.31.)

IC 28-7-1-31

Fidelity coverage for officers and employees; bonds; reserve funds

Sec. 31. Every credit union shall make provisions for adequate fidelity coverage for officers and employees of the credit union. The amount and form of fidelity coverage must be approved by the board of directors of the credit union. Coverage may be provided:

(1) in the form of a blanket fidelity bond issued by a corporate surety authorized to transact business in Indiana; or

(2) through the establishment of a separate reserve fund within the credit union for that purpose.

(Formerly: Acts 1961, c.182, s.31.) As amended by P.L.276-1987, SEC.4; P.L.263-1995, SEC.27.

IC 28-7-1-31.5

Insurance; examinations

Sec. 31.5. (a) Before transacting business in Indiana, a credit union shall insure its shares and other deposits with the National Credit Union Share Insurance Fund or a similar insurance company approved by the department.

(b) The department may examine any organization that insures the shares of a credit union that is subject to this chapter. The reasonable costs of an examination conducted under this subsection may be charged to the organization that is examined.

As added by P.L.270-1983, SEC.8. Amended by P.L.263-1995, SEC.28.

IC 28-7-1-32

Repealed

(Repealed by P.L.347-1989(ss), SEC.24.)

IC 28-7-1-33

Merger procedure

Sec. 33. (a) Any two (2) or more credit unions may, with the approval of the department, merge. This section authorizes the merger of a credit union organized under this chapter with a credit union organized under any other law.

(b) The board of directors of each credit union participating in the merger must by majority vote approve a joint agreement of merger.

(c) After the resolutions approving a joint agreement of merger have been adopted by the board of directors of each credit union, the credit unions shall submit the resolutions and joint agreement to the department for approval.

(d) If the joint agreement is approved by the department, any credit union whose existence will terminate as a result of the merger shall submit the joint agreement to a vote of its shareholders at the meeting directed by the resolution of the board of directors. A majority of the shareholders present at the meeting may approve the joint agreement. However, the department may permit the merger to become effective without the affirmative vote of the membership of a credit union if that credit union is in danger of insolvency or if the qualified group or groups associated with the credit union either have ceased or will soon cease to exist.

(e) After approval of the joint agreement by the shareholders of the merging credit unions, each credit union shall execute in triplicate articles of merger, on forms furnished by the department, which shall set forth the following:

(1) The time and place of the meeting of the board of directors at which the plan was approved.

(2) The vote by which the plan was approved by the board.

(3) A copy of the resolution or other action by which the plan was agreed upon.

(4) The time and place of the meeting of the members at which the plan was approved.

(5) The vote by which the plan was approved by the members.

(f) The articles, joint agreement, and resolutions shall be delivered to the department for certification, which shall be evidenced in the manner prescribed in IC 28-12-5, and shall be presented to the secretary of state for recording. The secretary of state shall file one (1) copy of the articles of merger and shall issue a certificate of merger and two (2) copies of the articles of merger to the surviving credit union. The date on which the secretary of state issues the certificate of merger is the effective date of the merger.

(g) The articles of merger shall be filed with the county recorder

of the county in which the principal office of the surviving credit union is located.

(Formerly: Acts 1974, P.L.130, SEC.9.) As amended by Acts 1979, P.L.267, SEC.5; Acts 1982, P.L.170, SEC.5; P.L.270-1983, SEC.9; P.L.52-1985, SEC.11; P.L.14-1992, SEC.130; P.L.263-1995, SEC.29.

IC 28-7-1-34

Credit unions organized in other states

Sec. 34. (a) A credit union organized under the laws of another state may establish a branch office in Indiana if:

- (1) the credit union files an application with the department;
- (2) the branch office is necessary to serve members within the field of membership of the credit union;
- (3) the field of membership of the credit union is consistent with the laws of Indiana;
- (4) the law of the state in which the credit union was organized provides for the establishment of a branch office in that state by an Indiana credit union; and
- (5) the department approves the application of the credit union.

(b) If the credit union that has established a branch office in Indiana is subsequently granted an expansion of its field of membership by its chartering state, the expanded field of membership must be approved by the department before the expanded field of membership can be served in Indiana. If an out-of-state credit union desires to establish a branch office in Indiana and that credit union's field of membership is an incorporated entity, the incorporated entity may not be admitted to do business in Indiana as a foreign corporation by the secretary of state's office until the department has approved the entry of the credit union to establish a branch office.

(c) The department shall provide to a credit union desiring to establish a branch office in Indiana an application, which must provide at least the following information:

- (1) The credit union's financial condition.
- (2) The credit union's field of membership and the number of members to be served in Indiana.
- (3) The proposed location of any branch offices.
- (4) A letter of approval from the supervisory agency in the state in which the credit union's principal office is located, including a statement indicating whether such supervisory agency conducts periodic examinations of the credit union.
- (5) A statement that the credit union, with respect to its operation in this state, will comply with all laws, rules, and regulations applicable to state or federal credit unions in Indiana.

(d) The department shall approve or deny the application within one hundred twenty (120) days. The department may deny the application or suspend or revoke an application previously approved if it finds any of the following:

- (1) That the credit union is insolvent or in imminent danger of insolvency.
- (2) That the credit union does not have the approval of its supervisory agency.
- (3) That the credit union fails to meet the requirements of subsection (e).
- (4) A failure to comply with any written agreement or final order of the department or chartering supervisory agency that has regulatory authority over the credit union.
- (5) Serving an expanded field of membership in Indiana before obtaining the approval of the department for the expansion in the field of membership.

(e) Any out-of-state credit union that has been approved to establish branch offices in this state shall, in addition to such other provisions of law applicable to credit unions, comply with the following:

- (1) Designate a resident agent for the service of process in this state.
- (2) Submit a copy of all reports required by its supervisory agency, unless otherwise required by the department to submit reports prescribed by the department.
- (3) Submit a copy of every:
 - (A) regulatory examination report; and
 - (B) insurance examination report;to the department.
- (4) Conduct its lending activities in accordance with Indiana law.

(f) The department may examine such a branch office if it has reason to believe that the branch office is not operating in compliance with laws, rules, or regulations. The reasonable cost of any such examination authorized by this subsection shall be paid by the credit union.

(g) For purposes of this section, IC 28-1-2-30 applies to information obtained by or provided to the department concerning branch offices established under this section.

(h) The department may enter into cooperative, coordinating, and information sharing agreements with an organization listed in IC 28-11-3-3 with respect to the periodic examination or other supervision of a branch:

- (1) in Indiana of an out-of-state credit union; or
- (2) of an Indiana state credit union in a host state;

and the department may accept the organization's reports of examination and reports of investigation instead of conducting the department's own examinations or investigations.

(i) The department may enter into agreements with a financial institution supervisory agency that has concurrent jurisdiction over an Indiana state credit union or an out-of-state credit union operating a branch in Indiana under this chapter to:

- (1) engage the services of the agency's examiners at a reasonable rate of compensation; or

(2) provide the services of the department's examiners to the agency at a reasonable rate of compensation.

An agreement under this subsection is subject to IC 36-1-7.

(j) The department may enter into joint examinations or joint enforcement actions with other credit union supervisory agencies having concurrent jurisdiction over a branch established and maintained in Indiana by an out-of-state credit union or a branch established and maintained by an Indiana state credit union in a host state. The department may take action independently if the department considers the action to be necessary or appropriate to carry out its responsibilities under this chapter or to ensure compliance with Indiana law.

(k) An out-of-state credit union that maintains at least one (1) branch in Indiana is subject to IC 28-11-3-5. Fees may be shared with other financial institution supervisory agencies or an organization affiliated with or representing at least one (1) credit union supervisory agency under agreements between those parties and the department.

As added by P.L.271-1983, SEC.2. Amended by P.L.166-1988, SEC.2; P.L.263-1995, SEC.30; P.L.192-1997, SEC.21; P.L.11-1998, SEC.19.

IC 28-7-1-35

Effect of amendments by Acts 1974, P.L.130

Sec. 35. (a) This section applies to a credit union organized under Acts 1933, c.40, s.296 through s.323.

(b) The amendments to this chapter made by Acts 1974, P.L.130 do not affect a credit union's rights existing on June 11, 1974.

As added by P.L.1-1989, SEC.58.

IC 28-7-1-36

ATM ownership

Sec. 36. An automated teller machine (ATM) may be owned or operated individually by any credit union or jointly on a cost sharing or fee basis.

As added by P.L.192-1997, SEC.22.

IC 28-7-1-37

Withdrawal of deposits

Sec. 37. All members, regardless of age, may become depositors in a credit union and shall be subject to the same duties and liabilities respecting their deposits. Whenever a deposit is accepted by a credit union in the name of any person, regardless of age, the deposit may be withdrawn by the depositor by any of the following methods:

(1) Check or other instrument in writing. The check or other instrument in writing constitutes a receipt or acquittance if it is signed by the depositor, and constitutes a valid release and discharge to the credit union for all payments so made.

(2) Electronic means through:

(A) preauthorized direct withdrawal;

- (B) an automated teller machine;
- (C) a debit card;
- (D) a transfer by telephone;
- (E) a network, including the Internet; or
- (F) any:
 - (i) electronic terminal;
 - (ii) computer;
 - (iii) magnetic tape; or
 - (iv) other electronic means.

However, this section may not be construed to affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.).

As added by P.L.81-2001, SEC.7.

IC 28-7-1-38

Requirement to provide property tax information in certain transactions

Sec. 38. With respect to a residential real property financing or refinancing, a credit union shall comply with IC 6-1.1-12-43.

As added by P.L.64-2004, SEC.32.